



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 13, Issue No. 50 | Date: December 14, 2018

A Company Set up Under Section 42 of the Companies Act, 2017

PAKISTAN COMPENDIUM

BANKING SCENARIO

Deposits Folder

According to the weekly statement of position of all scheduled banks for the week ended November 30, 2018, deposits of all scheduled banks stood at Rs. 13,079.179 bn, higher by 2.96pc, over the preceding week's figure of Rs. 12,703.096 bn.

Credit Portfolio

Gross advances of all scheduled banks stood at Rs. 7,749.578 bn, higher by 0.87pc over the preceding week's figure of Rs. 7,682.816 bn.

Investments Brief

Investments of all scheduled banks stood at Rs. 5,459.196 bn against preceding week's figure of Rs. 5,447.001 bn, higher by 0.22pc.

Assets Notebook

Total Assets of all scheduled banks amounted to Rs. 17,100.573 bn against previous week's figure of Rs. 16,644.727 bn, higher by 2.74pc.

World Bank Sees Moderate Growth in Remittances

While remittances to South Asia are projected to increase by 13.5pc in 2018, the growth of remittances in Pakistan is projected to remain moderate at 6.2pc due to significant declines in inflow from Saudi Arabia, the largest remittance source for the country. The new World Bank report, "Regional Trends in Migration and Remittance Flows", released recently, says that the remittances to Pakistan is expected to touch the figure of \$20.9 bn in 2018, which is 6.9pc of GDP. India remains on top with the figure of \$79.5 bn.

Remittances Rise Over 12pc in Five Months

Remittances from overseas Pakistanis jumped 12.5pc to \$9.028 bn in the first five months of this fiscal year, from \$8.021 bn in same period last year, reported the State Bank of Pakistan (SBP) recently.

Rs. 1 bn Donated by Overseas Pakistanis for Dams Since July

Overseas Pakistanis have so far contributed around Rs1 bn while local individuals as well as institutions have donated Rs. 7.47 bn to the Diamer-Bhasha and Mohmand Dams Fund, according to the State Bank of Pakistan (SBP). Within a span of five months, a total of Rs. 8.46 bn was deposited in The Supreme Court of Pakistan and the Prime Minister of Pakistan Diamer-Bhasha and Mohmand Dams Fund, the SBP data showed.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	10.32	10.57
ENDING	10.41	10.66
CHANGE	+0.09	+0.09

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 175.40	PKR 155.90	PKR 139.00
ENDING	PKR 175.00	PKR 157.50	PKR 139.50
CHANGE	-0.4	+1.6	+0.5

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	38,562
ENDING	38,585
CHANGE	+23

GOLD RATE

	(10 gm)
STARTING	PKR 55,513
ENDING	PKR 56,413
CHANGE	+900

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Jt. Committee on CPEC to Ink Industrial Framework Agreement on December 20

The Joint Coordination Committee (JCC) of the China-Pakistan Economic Corridor (CPEC) will meet on December 20 in Beijing to sign a framework agreement on industrial cooperation and pave the way for development of special economic zones starting with Rashakai in Khyber Pakhtunkhwa. According to an official announcement, the Cabinet Committee on CPEC gave the go-ahead to sign industrial cooperation framework with China and encourage Chinese investors to relocate their industries. An official said a final version of the framework agreement on industrial cooperation had been shared with the Chinese side.

Tapi Project to Create 10,000 Jobs

The construction of Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline will begin in the first quarter of 2019 and the project will be completed in two and a half years. Moreover, Afghanistan and Pakistan have given sovereign guarantees to ensure the pipeline's security. The chief executive officer and chairman of the board of TAPI Pipeline Company Ltd, Turkmenistan, Muhammetmyrat Amanov, said that the survey for the project, through which a total of 33 bn cubic meter gas per annum would be provided by the 1,814-kilometre-long pipeline, had been completed.

SBP Reserves

Reserves held by the State Bank of Pakistan amounted to \$7.5 bn during the week ended on Nov 30. Similarly, holdings of the commercial banks amounted to \$6.494 bn, while the total liquid reserves of the country stood at \$13.996 bn.

Gwadar Port May Be Gateway to Landlocked Central Asian States

Balochistan Chief Minister has said that Gwadar Port can serve as the gateway for the landlocked Central Asian states by providing them access to maritime routes and a trade corridor for doing business with all countries of the world. According to a statement issued by the Balochistan government, the Chief Minister was speaking at a meeting of heads of the Regions Forum of the Shanghai Cooperation Organization (SCO) states in Chelyabinsk city of Russia recently. "Pakistan and China are working together to develop

Gwadar Port to facilitate connectivity, trade and investment in the region and beyond," he added. The SCO comprises eight member states: Pakistan, China, Russia, India, Uzbekistan, Tajikistan, Kazakhstan and Kyrgyzstan. Four other states have observer status in the organization.

Pak-India Trade Much Below Full Potential

Trade between Pakistan and India is only valued at a little over \$2 bn, but it could be as high as \$37 bn, says a World Bank report. The current trade between the two countries is much below its full potential. It could only be harnessed if both countries agreed to tear down artificial barriers. The bank also estimated Pakistan's potential trade with South Asia at \$39.7 bn against the actual current trade of \$5.1 bn.

LEARN FROM YESTERDAY, LIVE FOR TODAY, HOPE FOR TOMORROW- ALBERT EINSTEIN

PPL Makes Another Gas Discovery

Pakistan Petroleum Ltd (PPL), the operator of Block 2467-16 (Shah Bandar) EL with 63pc working interest (WI), has made a gas discovery at its exploration well Benari X-1 (ST-2) in Sujawal, Sindh. The block is a joint venture of PPL with Mari Petroleum Company having 32pc WI and Sindh Energy Holding and Government Holdings Private Ltd (GHPL) with 2.5pc each.

Islamic Banking Should Improve Risk Management Practices

Despite being asset-backed, Islamic finance is still not immunised from risks associated with deficiencies in due diligence, inadequate buffers, lack of transparency and weak risk management practices. While addressing the book launching ceremony of Shariah Standards, SBP Governor Tariq Bajwa talked about the risks the Islamic banking industry needs to tackle. "Effective liquidity management is the key challenge and has gained more prominence owing to dearth of Shariah-compliant investment opportunities and absence of Shariah-compliant SBP standing facility." The Islamic Banking Industry of Pakistan, in collaboration with Accounting and Auditing Organisation for Islamic Financial Institutions and Mufti Mohammad Taqi Usmani, launched the Urdu translation of the book "Sharai-e-Mayaarat" which was earlier available in English.



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INTERNATIONAL ARENA

OPEC Works on Deal to Cut Output

OPEC and its allies are working towards a deal this week to reduce oil output by at least 1.3 mn barrels per day, sources said, adding that Russia's resistance to a major cut was so far the main stumbling block. OPEC meets in a couple of days in Vienna, followed by talks with allies such as Russia recently, amid a drop in crude prices caused by global economic weakness and fears of an oil glut due largely to a rise in US production. The producer group's leader, Saudi Arabia, has indicated a need for steep reductions in output from January but has come under pressure from US to help support the world economy with lower oil prices.

Lagarde Sees No Elements of Recession in USA

Despite some uncertainty and market volatility, the United States is not likely to see an economic contraction in the near term, IMF chief Christine Lagarde said recently. On a day when Wall Street has dropped more than 2pc, Lagarde said "there's a question mark about growth prospects going forward" but the concerns are "a little bit overdone." "I don't see the elements of recession in short order," she said on CNBC, and the IMF has forecast 3.7pc US growth next year which "is not bad." However, she said the Federal Reserve was "probably going to slow down" its rate increases as they look at economic data.

RBI Holds Interest Rate

Last week, the Reserve Bank of India (RBI), in its fifth bi-monthly monetary policy review, decided to keep the key policy rates unchanged. The six-member monetary policy committee (MPC) noted that the benign outlook for headline inflation was driven mainly by the unexpected softening of food inflation and collapse in oil prices in a relatively short period of time. In August, the RBI raised the policy repo rate by 50 basis points, increasing it to 6.5pc. This time though the central bank slashed its inflation projection to 2.7-3.2pc by the end of the current fiscal (March-end) from an earlier one of 3.9-4.5pc. However, it feels inflation could rise to 3.8-4.2pc in the first half of the next fiscal, beginning April 2019. From an economic standpoint,

a hike in repo rates would have had a direct impact on home loan rates. High housing loan interest rates are known deterrents to many buyers, especially in the affordable segment where higher interest rates can and do weaken sentiment.

India's Polluted Air Claimed 1.24 mn Lives

India's toxic air claimed 1.24 mn lives in 2017, or 12.5pc of total deaths recorded that year, according to a study published in Lancet Planetary Health recently. More than 51pc of the people who died because of air pollution were younger than 70, said the study conducted by academics and scientists from various institutions in India and around the world. It was funded by the Bill & Melinda Gates Foundation, the Indian government and the Indian Council of Medical Research.

Road Accident Deaths Surge to 1.35 mn

Road accidents kill someone every 24 seconds, with a total of 1.35 mn traffic deaths around the world each year, the World Health Organization revealed recently, demanding global action. The number of fatalities annually has swelled by around 100,000 in just three years, with road accidents now the leading killer of children and young people between the ages of 5 and 29, the UN health agency said in a new report.

US Losing Trade War

USA is losing war on its trade deficit and the evidence is growing that its own tariffs are at least part of the reason why. The US monthly deficit in goods and services with the world reached its highest level in a decade in October while the deficit with China hit a record, according to a latest released data. The new report showed the deficit grew more than 11pc through October from the year before and thus pointed to an awkward emerging reality for Trump: if the pattern holds, by the end of this year the US trade deficit will have reached \$600 bn for the first time. It also will have grown by more than \$100 bn, or a fifth, from when he took office in January 2017.



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MANAGEMENT & INFOTECH CORNER

More Than Half of Global Population Now Online

Some 3.9 bn people are now using the Internet, meaning that for the first time more than half of the global population is online, the United Nations said recently. The UN agency for information and communication technologies, ITU, said that by the end of 2018 a full 51.2pc of people around the world will be using the Internet.

PM Asks FB to Check Misuse of Social Media

Prime Minister Imran Khan urged the Facebook management to play its role in checking misuse of social media in spreading fake news, violence and hate content. During a meeting with Simon Milner, Vice President of Public Policy, Facebook Singapore, who called on him at the Prime Minister Office, Mr. Khan underscored the need for putting in place "a robust mechanism to effectively check misuse of social media in spreading fake news, violence and hate content". "Facebook, with its large number of subscribers, can play a significant role towards checking negative attempts that threaten our society and social values," he said.

If You Commit to Something, Do Not Cancel at the Last Minute

We all overcommit ourselves from time to time. And then, because we feel overwhelmed, we cancel or back out at the last minute. It feels like no big deal — everybody does it, right? But not following through on your commitments, whether by constantly rescheduling meetings or by failing to get back to people when you say you will, erodes your trustworthiness. Honoring your commitments begins with saying yes only to things you know you can do. If you are unsure about a request, ask for time to think things over. And practice saying no so that you will be ready to turn someone down when needed. (Think about how you can tactfully but frankly refuse and then say the words out loud until they feel comfortable.) By thoughtfully — and honestly

— assessing the requests that come your way, you can protect both your schedule and your reputation. (Adapted from *You Have to Stop Canceling and Rescheduling Things. Really*, by Whitney Johnson-HBR.)

Are You Really Busy? Look for Simple Solutions to Recurring Problems

When you are chronically busy and stressed, it is easy to react in ways that make the situation worse rather than better. For example, if you have a million tasks on your to-do list, you may not think you have time to stop and prioritize. But simply barreling through everything that feels urgent is not an efficient strategy. Step back and rank your tasks based on urgency and importance. Whatever meets both criteria should be done first; everything else can wait. You should also look for simple solutions to problems that eat away at your time. Constantly forget to charge your phone? Keep a power cord at the office. Catch the same mistakes again and again? Ask your team to make a checklist for spotting their common errors. Travel for work a lot? Create a universal packing list so that planning takes less mental effort. Strategies like these will give you more energy, confidence and time. (Adapted from *4 Ways Busy People Sabotage Themselves*, by Alice Boyes-HBR.)

SNIPPETS

Think Green

Between 2013 and 2017 investors bought \$113 bn of "corporate green bonds," issued to finance climate-friendly projects, at an average of \$308 mn per offering.

Uncharted Territory

Just 10 cities accounted for more than \$100 bn in venture capital investment on average each year between 2015 and 2017. San Francisco received the largest share (16pc), followed by Beijing (14.2pc).

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